

# The Changing Face of Co-op Development

BY STUART REID

**H**ow do you start a new retail food co-op? Can you give me a checklist and a budget? I'll take it from there! If only it were that easy. With hundreds of communities interested in opening new co-ops, there is an unprecedented opportunity to provide support, advice, and best practices that can enable faster, more effective organizing with successful, sustainable stores as an outcome. Stretching limited resources to address this amazing wave drives us to find standardized answers to commonly experienced organizing issues.

Most new co-ops have more in common with each other than they realize, and best practices are usually just that—time-proven solutions and procedures that will work well in most settings. If you look at the diversity of communities founding new co-ops today, you will find that in spite of regional, demographic, and philosophical differences, they all have similar development paths and predictable obstacles. You also will find that each community encounters problems that require novel solutions and adaptations. We can learn a lot from these people. Sometimes their ideas work well because of unique, local circumstances, but often they point the way toward new solutions that we can share and build upon.

## Doing it the old way in a new way

Forty years ago, co-ops usually were formed as buying clubs, back-porch distribution points, basement bulk dispensaries, or any other method that could be done relatively quickly and inexpensively. Competition for natural foods was nonexistent, regulations were lax, most or all of the work was performed by volunteers, and business practices were inconsistent at best. Many people still ask, "Why can't we start a co-op on a shoestring budget and grow into a successful, sustainable business over time?"

The environment that allowed and fostered those startups is long gone. Co-ops today face intense competition in most communities, health departments enforce strict regulations, employment records are audited, and the cost of doing business has skyrocketed. For all of these reasons, a new co-op has a better chance of survival and making meaningful contribution to society if it is large enough to support an adequate product/service mix, pay professional staff, and spread the overhead cost over a larger member and customer base.

However, larger stores mean larger startup budgets—usually over \$1 million and sometimes much more. Can a community still start a co-op if that

## Food Co-op *initiative*



kind of capital simply is not available? The answer is a qualified "yes."

Following are two very different ways in which modern co-ops are getting off the ground.

### Fiddleheads farmers market

Fiddleheads Co-op in New London, Conn., had planned to open a larger-than-average retail food co-op featuring local and natural foods. They had excellent community support, enrolled over 600 members, and signed a lease on a former supermarket with room for 8,000 square feet of retail space. With tentative bank commitments in place, they hired a general manager and prepared for the final stages of opening...then everything started to fall apart.

The board and manager never had a contract or clear understanding of expectations. The co-op still needed more members and a member loan campaign to complete their financing, and the lease payments were starting to drain their bank account. The board broke down under recriminations and mistrust. The manager left. Rent payments fell behind.

If it were any business other than a co-op, this would be the end of the story. But community support and ownership can overcome formidable odds. A new co-op board was seated and went to work. The lease was re-negotiated, and plans were made to host a farmers market in the future retail space. The market brought in some income and a lot of people. As the co-op regained some stability, they began stocking a few key items and selling them alongside the market vendors.

Using mostly volunteer labor, Fiddleheads slowly built up their inventory and retail presence while continuing to work toward their plan of opening a full-scale retail grocery. They still host a farmers market every Saturday and are now open for retail business five days a week. While they have not yet become the store they envisioned, Fiddleheads

is once again on track. The market concept was an emergency response to imminent dissolution, yet it not only created a bridge to their survival, it became an important tool for reaching out to their community and local producers.

### Walla Walla walk

The Daily Market in Walla Walla, Wash., began life as the Sweet Onion buying club. In order to provide basic foods for their members between bulk orders, they maintained a small retail operation with limited hours. A project manager funded by AmeriCorp oversaw the buying club, retail, volunteer coordination, and storefront planning. However, the co-op had difficulty recruiting enough new members to create an equity base, and the buying club/retail operation generated very little surplus. Without adequate capital, the plans for a full-scale retail business looked increasingly unlikely.

Rather than giving up, the board decided to expand their retail services within the constraints of their small storefront and budget. With the help of volunteers and committed leadership, the co-op gradually increased its retail offerings and hours of business. They now carry a few hundred items and are open half days, six days a week, while continuing to operate the buying club.

Walla Walla Daily Market's slow evolution from buying club to retail came about in response to a planned opportunity to better meet member needs rather than as an emergency bailout. Partly because of this, there is less urgency to fulfill the original vision of a full-scale grocery and greater willingness to accept a gradual maturation.

However, other co-ops that might consider pursuing this course intentionally should be aware that many obstacles remain. Very small retail outlets need to have their market niche all to themselves. They rarely can compete with other retailers' low prices, product selection, or convenience. Volunteer labor can be unpredictable, difficult to coordinate, ►

# COLD BREWING SYSTEM



Summertime, and they say the living is easy. Yet between picnics to attend, bikes to ride, and steamy summer days, brewing up a hot cup of coffee doesn't always fit the mood. That's where the todody cold brew system comes in: *add cold water to a pound of coarsely ground coffee and come back in the morning to watch the super-smooth, rich coffee concentrate drip in your cup.* Dripping through a thick felt filter extracts some of the acids and oils, resulting in an incredibly smooth coffee extract that stays delicious, even after a short retreat to the refrigerator. It makes a delicious drink when mixed with equal parts ice and your favorite milk-like liquid (we've had luck with half-and-half, soy milk, cow milk, and even heavy cream). Toddy is perfect for quenching thirst on a warm day, and also makes a quick cup of coffee when blended with hot water.

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and subject to labor regulations. Overhead must be kept at a bare minimum, and additional capital investment may be needed periodically simply to survive, let alone expand. The bottom line (pun intended) is that even a small business is still a business and must be well planned and executed if it is to succeed.

### News flash— co-ops ARE community assets!

Historically, new food co-ops have had to exert tremendous effort in order to be taken seriously as a desirable element of commercial development. Jobs programs, community development funds, and even SBA loans have been targeted toward chain stores, national corporations, well-established local businesses, and other known entities. That bias may be changing as more communities look for ways to invest locally and keep money in the local/regional economy.

Today, as I write this, I received a copy of a press release from the governor's office of North Carolina announcing a nearly \$300,000 grant for the Company Shops Co-op in Burlington. The state grant will fund building improvements and renovation, and the city of Burlington has committed an additional \$1.73 million in street and streetscape improvements. Someone got the message that this new co-op will make a difference in downtown Burlington!

The Troy Community Co-op in New York is preparing to open its new store in a challenging downtown location. Revitalizing the commercial district is a high priority for the city of Troy, and the co-op has drawn significant support as a potential anchor business. From their press release:

*The Troy Community Food Cooperative at the Pioneer Market in historic downtown Troy will begin construction after being awarded a \$270,000 low-interest downtown redevelopment loan from the Empire State Development Corporation's Upstate Regional Blueprint Fund. With a projected opening of early summer 2010, downtown Troy will once again have a (cooperatively-owned) grocery store for the first time since 2005.*

*The announcement was made today by Governor David A. Paterson. . . . "The Upstate Regional Blueprint Fund provides the kind of sound investment needed for the growth and development of our Upstate communities," Governor Paterson said. "During this difficult economic time, we must focus our efforts on securing economic prosperity across the state by putting New Yorkers back to work. With this second round of Blueprint Funding we can move forward with crucial development projects that will build strong urban cores, advance businesses and create jobs, better positioning New York now and for the future." The project will create 21 jobs in the first year and 41 jobs after five years.*

*The Troy Community Food Cooperative has also received significant support from city of Troy Mayor Harry J. Tutunjian, Economic Development Coordinator Jeff Buell, the city of Troy City Council, County Executive Kathleen M. Jimino, the Rensselaer County Legislature, and Rensselaer County Office of Economic Development and Planning Director Robert I. Pasinella, Jr., Pioneer Bank, Capital Bank, Capital*

# Patronage Dividends for Food Co-ops

## Patronage Dividends for Food Co-ops

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Thanks to the partners who made this collection possible: CDS Consulting Co-op, Triangle Park Creative, and Wegner LLP, CPAs and Consultants

◀ District Community Loan Fund, SEFCU, Troy Redevelopment Foundation, Howard & Bush Foundation, National Grid, The Co-op Fund of New England, First Niagara Bank, and others.

The significance of this kind of civic support is hard to overestimate. Grants and low-interest loans can have a huge impact on a co-op's ability to meet capital needs and leverage additional investment. They reduce future debt payments and provide a head start on financial feasibility. The co-op also benefits from the publicity and recognition of its value to the community, from the public goodwill and cooperation that is likely to extend to other civic entities, and the long-term advantages of

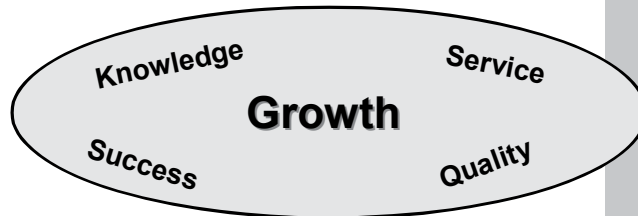
being linked to the community's civic and business structures.

Public support programs are available in many areas, from federal, state and local funds. No two communities have the same grant and loan programs, and the interest of funders in supporting a food co-op to anchor retail and job growth will also vary. Organizers must be diligent in seeking out the programs and people that can help them. They must be willing to share their visions and business plans and to convince decision-makers that co-ops deserve top consideration for community support—*because they give it back!* ■

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